

**COMMONWEALTH OF MASSACHUSETTS
BEFORE THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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Request for Comments on the Procurement of)	
Default Service Power Supply for Residential)	D.T.E. 04-115
and Small Commercial and Industrial Customers.)	
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**COMMENTS OF
WESTERN MASSACHUSETTS ELECTRIC COMPANY**

Western Massachusetts Electric Company ("WMECO") appreciates the opportunity to submit these limited comments to the Department of Telecommunications and Energy ("Department") regarding to the Department's June 20, 2005 public hearing on Default Service Procurement.

I. Background

On December 6, 2004, the Department issued an order requesting comments on the procurement of Default Service for residential and small commercial customers. The Department posed five questions in its order. In summary, the Department asked if Default Service should be: (1) procured using more than two solicitations (*i.e.*, laddering); (2) procured for longer than twelve months; (3) procured on a statewide basis; (4) procured through an auction process; and (5) known by another term.

On January 10, 2005, many parties, including WMECO, responded to the Department's questions. A number of parties further submitted reply comments on or about January 24, 2005. On February 7, 2005, the Department issued an order in this proceeding (D.T.E. 04-115-A). This order, addressing only the fifth question above, substituted the term "Basic Service" for 'Default Service' (Order, p. 6).

On May 31, the Department issued a notice of Technical Conference, indicating that it wished to hear, on June 13, 2005, from parties in regard to a laddered approach to resource procurement. The Department also indicated it wished to hear about the use of long-term contracts for renewable resources that certain parties had raised in their January 2005 comments. Finally, the Department indicated that in addition to the issues raised up to that point in D.T.E. 04-115, it wished to discuss the topic of initiatives to facilitate the development of a retail market for smaller customers. This topic had been the subject of earlier Department inquiries (*e.g.*, D.T.E. 01-56, D.T.E. 02-40).

II. WMECO's Responses

A. Procurement/Laddering

Rather than repeat each of the points WMECO raised in its January 10, 2005 comments, WMECO incorporates them by reference here. In sum, WMECO believes that the current Default Service/Basic Service procurement system that the Department ordered in D.T.E. 02-40-B, with its two laddered solicitations, serves customers well. It protects customers from considerable price volatility and yet serves to show customers a representative market price (*see* Tr., pp. 28-37). At the June 13, 2005 public hearing various parties commented on the current procurement system. Some voiced approval of the existing procurement rules, some wanted longer or shorter procurements or other adjustments. However, in WMECO's view this discussion only served to validate and support the Department's decision in D.T.E. 02-40-B that the current procurement system was a prudent, balanced and

reasonable way to proceed. The current system is working reasonably well and should not be adjusted at this time.

B. Long-Term Contracts

A requirement that utilities enter into long-term renewable contracts was not an initial topic noticed in this proceeding and not raised until the Department's May 31 Notice of Technical Session. Absent specific proposals, WMECO can only provide preliminary comments on this issue at this time. Mr. Honan, representing WMECO, addressed some initial comments on long-term contracts at the public hearing (Tr., pp. 162-168). In sum, Mr. Honan identified both the potential for good with long-term contracts as well as the downside (*e.g.*, stranded costs).¹ As Mr. Honan said, however,

I think that [long-term contracting] is a very separate issue from default service and I think should be handled as a separate matter, in a separate docket.... It is a big deal, and there is big money involved and a lot of risk, and it needs to be very, very carefully considered on its own merits [Tr. p. 168].

If the Department pursues the issue of long-term contracting, WMECO requests the opportunity to provide more detailed comments on specific proposals, with the hope the discussion will be in a separate docket.

¹ At the public hearing, the Conservation Law Foundation (CLF) indicated that the present system of Default Service/Basic Service procurement is 'not prudent' and threatened to sue the utilities and, presumably, the Department (Tr., p. 155). However, the Department has approved WMECO's procurements and there is no question that WMECO's actions, with respect to RPS compliance plans and otherwise, have been in full compliance with all statutory and regulatory requirements.

C. Competitive Supply for Small Customers

The topic of expanding choice for smaller customers was not an initial topic noticed in this proceeding and was not raised until the Department's May 31 Notice of Technical Session. Accordingly, WMECO has not seen written comments on this topic and requests an opportunity to comment based on other parties' written proposals. WMECO is aware, however, that this topic has been raised by the Department in the past (*see* D.T.E 01-54-B, pp. 7-9; D.T.E. 02-40-B, p. 7). It is an important subject that warrants its own proceeding.

WMECO strongly believes that paramount in any consideration of competitive supply for smaller customers should be the question: "How will the customer fare?" While this question should be obvious, too often in previous discussions the focus has seemed to be diverted to the economic theory of competition or how to move customers to competitive supply regardless of other considerations. Customers should have choice but they should not be forced into a system that puts them at a disadvantage in the name of competition.

WMECO's impression, thus far, is that forcing customers to competitive suppliers in other states has not been a success for customers, although it may have been one for competitive suppliers. Certainly, reports such as that done by Zarnikau and Whitworth ("Has electric utility restructuring led to lower electricity prices for residential consumers in Texas?" (Energy Policy journal, 2005)), suggests that customers do not benefit. Nor, in WMECO's view, should Massachusetts be a testing ground for unproven proposals. Energy prices, including electricity prices,

are high enough, and there is no need for customers to make unnecessary additional payments to competitive suppliers, most of whom reside out-of-state.